

GUIDELINES



A. Financial Guidelines (Revised March 1994)

The City of Wichita's financial policies set forth the basic framework for the overall fiscal management of the City. Operating independently of changing circumstances and conditions, the policies assist the decision-making process of the City Council and the management. The financial policies provide guidelines for evaluating both current activities and proposals for future programs.

Most policies represent long-standing principles, traditions, and practices that guide the City and help to maintain its financial stability. They should be reviewed annually.

Operating Budget Policies

1. The City attempts to maintain its present service level for all priority and essential services within existing tax rates, as adjusted for normal growth in the tax base. No new services are added without offsetting expenditure reductions or increases in tax revenues. A phase-in increase to the mill levy to restore the debt service levy to the 1992 level was completed in 1995. Loss of assessed value through the November 1992 classification amendment to the State Constitution required a one-time only mill levy increase (1993 taxes for the 1994 budget).
2. The City maintains a financial and budgetary control system to ensure adherence to the budget and an awareness of the financial environment, preparing quarterly reports to compare actual revenues and expenditures to budgeted amounts, analyzing operating surplus or deficit conditions, and balance sheets on all City funds.
3. The City integrates performance measurement and productivity indicators with the budget.
4. The City attempts to avoid layoffs in all actions to balance the budget. Any personnel reductions are scheduled to come primarily from attrition.
5. The City emphasizes efforts to reduce major cost centers.
6. Airport, Golf, Sewer, Water, and Storm Water enterprise funds are self-supporting.
7. Privatization, volunteerism, incentive programs, public/private partnerships, and other alternatives are used whenever possible to provide services.
8. The City endeavors to mitigate subsidies for the Transit system.
9. Charges for internal services are set at the lowest possible level to maintain essential programs.

Revenue Policies

The City directs efforts to maintaining a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.

1. The City attempts to obtain additional major revenue sources as a way of insuring a balanced budget.
2. The City follows an aggressive revenue collection policy.
3. The City establishes all user charges and fees at a level related to the full cost (operating, direct, indirect, and capital) of providing the service.
4. The City reviews fees/charges annually and designs and modifies revenue systems to include provisions that automatically allow charges to grow at a rate that keeps pace with the cost of providing the service. The City considers market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees, and charges.



Investment Policies

1. Disbursement, collection, and deposit of all funds are managed to insure maximum cash availability.
2. The City strives to maximize the return on investments consistent with the primary goal of preserving capital in accordance with the City's ordinance and prudent investment practices.

Debt Policies

1. The City confines long-term borrowing primarily to capital improvements.
2. In anticipation of bonding, the City uses short-term debt.
3. The City follows a policy of full disclosure on every financial report and bond prospectus.
4. Revenue bonds are issued when practical for city enterprises to reduce the amount of the City's general obligation debt.
5. The City maintains an aggressive retirement of existing debt over 10 years for city-at-large debt and 15 years for special assessment debt.
6. The City uses general obligation debt to fund general purpose public improvements which cannot be financed from current revenues.
7. The City uses special assessment general obligation debt to fund special benefit district improvements consistent with existing policies.

Reserve Policies

1. The City maintains a revenue reserve to pay for expenses caused by unforeseen emergencies or for shortfalls caused by revenue declines. This reserve is established at no less than 5% and no greater than 10% of annual revenues.
2. The City maintains a contingency expenditure account to provide for unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery costs.
3. Reserves in excess of these amounts in the General Fund shall be used for one-time only expenditures.
4. The City maintains a debt service fund reserve at year end equivalent to 5% of annual revenues of the debt service fund. Any amount in excess of this reserve will be used to reduce capital project fund general purpose expenditures.
5. Adequate levels of working capital shall be maintained in all proprietary funds.

Accounting, Auditing, and Financial Reporting Policies

1. An independent audit is performed annually and completed not later than June 1 of each year.
2. The City produces annual and monthly financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB).



B. Capital Improvement Program Guidelines (March 1994)

The Capital Improvement Program (CIP) guides new construction and improvements to the City's infrastructure and facilities, ranging from road expansion to repairs on publicly owned buildings to acquisition of new water sources.

The CIP requires a sound operating budget and a solid financial base to allow for debt or cash financing of capital projects. A well prepared operating budget can also assist in raising or maintaining the bond rating of the City. A higher bond rating means that the City pays a lower interest rate for the bonds sold to finance capital projects.

The annual budget process takes into account requirements of funding infrastructure, maintenance, and related operational costs. Since the CIP is primarily funded from property taxes, mill levy changes in the annual operating budget can mean changes in resources available for capital projects.

Revenue Sources and Projections

Development of the CIP has two phases. The first phase is revenue projections. Like revenue projections for the operating budget, trends are studied, and performance assumptions are generated. From these assumptions, expenditure estimates are developed. Since the CIP is a ten-year plan, revenue projections must be made further into the future than those required for the operating budget.

Existing debt service obligations are considered when estimating the additional amount of debt that can be assumed under the City's policy. After the new debt for proposed projects is calculated and all revenue sources are identified, projects are prioritized and funds are allocated for the ten year planning period. The revenues and debt service expenditures for that part of the CIP financed from property and sales taxes are managed through the Debt Service Fund. Components of revenue funding the CIP are noted below:

1. The mill levy is projected at 10 mills for the ten year CIP period.
2. Sales tax revenue for freeway and road construction is managed through the Sales Tax Trust Fund until the funds are transferred to projects or to the Debt Service Fund to pay debt service on sales tax general obligation bonds.
3. Special assessments made against properties fund portions of the CIP.
4. Motor vehicle taxes collected by Sedgwick County on all motor vehicles not subject to property or ad valorem taxes are a CIP revenue source.
5. Interest earnings on the fund balance and current revenues contribute to CIP revenue.
6. Transfers from other funds such as the Tourism and Convention Fund for Expo Hall, Lawrence Dumont Stadium, and parking facilities, and from Tax Increment Financing Funds for economic development projects, are considered in revenue estimating.
7. Other proceeds considered when developing the CIP are from the sale of City owned property.

Other parts of CIP financing are budgeted as debt service in proprietary funds.



Project Review

The second phase of the developing the CIP involves the project request. Each project request is sent to major corporations, community organizations, District Advisory Boards, and other groups would be impacted. Any interested party may submit a project for consideration by City engineers and the CIP Administrative Committee.

The CIP Administrative Committee, through a series of meetings, develops the project plan for the term of the program. Projects are studied and are ranked according to criteria set forth by the Committee.

Projects proposed for the CIP are reviewed, evaluated, and recommended under the following guidelines:

1. General revenue-supported debt: Maintain a Capital Improvement Program within the debt limitations established by state law, and within a maximum local mill levy debt service established by the City Council.
2. Capital improvement projects must meet the established useful life criteria to be financed: (a) public buildings, 40 year general life, 10 year financing; (b) new road construction, 40 year general life, 10 year financing; (c) major road and bridge rehabilitation, 15 year general life, 10 year financing; (d) water, sanitary sewers, and drainage, 40 year general life, 20 year financing; (e) miscellaneous items, based on asset life, 10 year financing; and (f) local sales tax projects, 10 and 15 year financing with double barreled bonds.
3. Utility Revenue Bonds are utilized when necessary and feasible to finance Public Improvements using a 20-year amortization to minimize the impact of annual revenue requirements (sue fees).
4. Maintenance of the highway and street system to provide safe and effective vehicular access and efficient urban traffic flow emphasizing the following: (a) Expedite the plans (in cooperation with Sedgwick County) for constructing and financing US-54, maximizing state and federal funds supplemented by local sales tax; (b) Concentrate efforts on selected cross-town arterials and intersections to improve traffic movement, safety, and reduce congestion; (c) Include features in new projects which will reduce future maintenance requirements (i.e., delineation of crosswalks, low-maintenance medial treatment, etc.); (d) Complete railroad crossing improvements on arterials; and (e) Provide good streets and roadways to serve City facilities (i.e., Art Museum, Cowtown, Expo Hall, Airport, etc.).
5. Provide improvements in the downtown area.
6. Continuation of Neighborhood Improvement Program in conjunction with code enforcement.
7. Emphasize projects in problem areas without regard to the percentage of the total CIP funds available. Under no circumstances will all projects be selected from one area of the City.
8. Develop a balanced capital maintenance program for all types of City assets.
9. Include beautification and landscape improvements in projects, especially on arterials and highways, public facilities, etc.
10. Insure an adequate water supply for existing neighborhoods and for the planned growth and development of the City.



Hearings and Adoption of the CIP

Upon completion of the Administrative Committee's plan, the committee's recommendations are forwarded to the City Manager and then to the City Council. Hearings are held before the Metropolitan Area Planning commission and the District Advisory Boards. Like the operating budget, the City Council hears public comments on the CIP prior to adoption. The City Council may shift, add, or delete projects in the proposed CIP.

Implementation

After the CIP is adopted by the City Council, departments use the CIP as a guide for implementing capital improvements. Initiation of each project must be authorized individually by the City Council through the adoption of an ordinance or resolution.

Budgeting for Ongoing Operating Costs of CIP Projects

As a general practice, the proposed 10-year CIP is developed and revised in a process that parallels development of the City's two-year budget. Departments provide estimated ongoing costs associated with CIP projects so all costs can be considered in the evaluation process. When a project is completed, the operating costs are included in the department's operating budget.



ACCOUNTING POLICIES

Reporting Entity. For financial reporting purposes the City includes financial information for the appointive boards and commissions that are controlled by or dependent on the City. Control or dependence is determined on the basis of oversight responsibility, budget adoption, taxing authority, funding and appointment of respective governing boards. The boards and commissions which are appointed by the elected City officials, accountable for fiscal matters related thereto and for which the City provides accounting services include: Art Museum, Wichita Airport Advisory Board, Library Board, Board of Park Commissioners Advisory Board, Metropolitan Transit Advisory Board, and the Board of Housing Commissioners.

The financial activities of these boards and commissions are reflected in the special revenue, capital project, enterprise and expendable trust funds as appropriate.

Basis of Accounting. The accrual basis of accounting is used for all funds except the governmental fund types, expendable trust funds and agency funds which use the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

1. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Revenues received prior to their normal time of receipt are recorded as deferred revenues.
2. Disbursements for the purchases of capital assets providing future benefits are treated as expenditures and are accounted for in the general fixed assets account group. Appropriations for capital projects are carried forward until such time as the project is completed or terminated.
3. Interest on general long-term debt is not accrued but is recorded as an expenditure on its due date.

Budgetary Control. Applicable Kansas statutes require that annual budgets be legally adopted for all funds (including proprietary funds) unless exempted by a specific statute. Specific funds exempted from legally adopted budgets are all federal and state assistance funds, all capital project funds, the Transit Fund, the Airport Fund, the Golf Course System Fund and all trust and agency funds. Controls over spending in funds that are not subject to legal budgets are maintained by the use of internal spending limits established by management. For budgeting, revenues are recognized when they become both measurable and available to finance expenditures of the current period except for special assessments of the bond and interest fund, which are recognized on the cash basis.

Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. Encumbrances of the budgeted governmental fund types, represented by purchase orders, contracts and other commitments, are reported as a charge to the current-year budget. For budget purposes, unencumbered cash balances are determined by deducting liabilities and encumbrances from cash and receivables susceptible to accrual.

The statutes provide for the following sequence and timetable in adoption of budgets:
Preparation of budget for the following calendar year begins on or before August 1 of each year.

1. Publication of proposed budget on or before August 5 of each year.
2. A minimum of ten days notice of public hearing, published in local newspaper, on or before August 15 of each year.
3. Adoption of final budget on or before August 25 of each year.

Kansas statutes permit transferring budgeted amounts from one object of purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. All unencumbered appropriations lapse at the end of the year, except for capital project funds which are carried forward until such time as the project is completed or terminated. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time.

Additional information regarding funds and budgetary accounting policies may be found in the City of Wichita's Comprehensive Annual Financial Report prepared by the City Controller's Office.



**“Wichita...
a City Achieving the Extraordinary”**



DESCRIPTION OF FUNDS

The accounts of the City are organized on the basis of funds and groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are grouped by type in the financial statements. The types of funds maintained by the City are as follows:

Governmental Funds

General Fund. The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City, other than proprietary fund expenditures, are financed through revenues received by the General Fund.

Special Revenue Funds. These funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are designated to finance particular functions or activities of the City. The City maintains a separate special revenue fund for each federal or state grant program.

Debt Service Fund. The bond and interest fund is used to account for the payment of principal and interest on the City's general obligation bonds that are recorded in the general long-term debts group of accounts. Revenues for this purpose include ad valorem property taxes, special assessment taxes, investment interest income and City Hall parking lot revenues.

Capital Project Funds. The capital project funds account for capital improvements (except for those financed by proprietary funds) which are financed from the City's general obligation bond issues, special assessments, certain federal grants and other specific receipts.

Proprietary Funds

Enterprise Funds. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), federal grants and other City funds.

Internal Service Funds. Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies for the City and other governmental units, on a cost reimbursement basis.

Fiduciary Funds

Trust and Agency Funds. Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units and other funds. These include expendable and pension trust funds and agency funds.

Account Groups

General Fixed Assets Account Group. This group of accounts is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group. This group of accounts is established to account for all long-term debt of the City, except that accounted for in the proprietary funds. Under the statutes of the state of Kansas, debt issued to finance special assessment projects constitutes a general obligation of the City. Therefore, this debt is recorded in the general long-term debt account group and is serviced through the Debt Service Fund. The City does not issue special assessment bonds.

DESCRIPTION OF REVENUE



Administrative charges. Reimbursements to the General Fund for the indirect costs incurred against General Fund budgets for the indirect support of departments and operations funded outside the central administrative divisions (administrative procedure).

Ad valorem property taxes. Taxes levied against the assessed valuation of taxable real and personal intangible property in the County. The tax rate is expressed in mills per \$1 of the assessed valuation of the property, and is equal to \$1 per \$1,000 of assessed valuation. Currently, Kansas Statutes set the assessment of property as follows:

- residential, 11.5%
- land used for agricultural purposes, 30%
- vacant lots, 12%
- real property used by nonprofit organization, 12%
- public utility, 33%
- commercial, 25%
- all other, 30%

Alcoholic liquor tax. A tax on gross receipts from the sale of liquor at retail. (K.S.A., Ch. 79, Art. 41.)

Bingo tax. A three percent (3%) tax on gross revenues incurred by bingo parlors to be used for the purpose of enforcement and regulation. (K.S.A., Ch 79, Art. 47.)

Charges for current services and sales. Revenue derived from all charges required for current services and sales such as the recording of legal instruments, the sale of certificates, examination fees, the sale of department division manuals, street cut repairs, and safety charges and sales, nursing fees, and other health charges and sales. (K.S.A., Ch. 12, Art. 7, Ch. 13, Arts. 9 and 14, Ch. 28, Art. 1, Ch. 65, Arts. 24, 708 and 737a; Code of the City of Wichita, Chapters 1.04.070, 2.08, 2.21, 2.24, 6.04, 7.12, 10.20.050, 11.68, 19.08.030, 21.04.040, 22.04.220, and 28.04.210.)

Dealers' stamp tax. Taxes paid on new and used automobiles by dealers in lieu of ad valorem taxation on automobile dealers vehicle inventory. (K.S.A., Ch. 79, Art. 10.)

Delinquent tangible property tax. Ad valorem property taxes collected from previous tax years. (K.S.A., Ch. 79, Art. 2004 and 2004a.)

Federal and state grants and contributions. Revenue received from the federal and state governments for assistance in programs such as low-cost housing, youth programs, health-related programs, or other federal and state-supported projects (administrative agreement).

Fines and penalties. Revenue derived from Municipal Court fines, forfeits, and penalties. (K.S.A., Ch. 13, Art. 617; Code of the City of Wichita, Title 4, Intoxicating Liquor; Title 5, Public Safety Morals; Title 11, Traffic.)

Franchise fees. An annual fee paid for by Arkla Gas Co., KPL, KG&E, Southwestern Bell, Multimedia Cablevision, Wichita Water and Sewer utilities, Storm Water Utility, and Metropolitan Transit Authority for the privilege of doing business in the municipality. (K.S.A., Ch. 12, Art. 20, Code of the City of Wichita - Franchises.)

Gasoline tax. A tax on the use, sale, or delivery of all motor-vehicle fuels used, sold, or delivered in this state for any purpose whatsoever. Taxation rates are set by a formula established by the Director of Taxation. (K.S.A., Ch. 79, Arts. 3408 and 3425.)



Interest earnings. Revenue derived from the proper management of the City's assets, through investment of public funds being held until expended or distributed to other units of government. (Code of the City of Wichita, Section 2.18.030; administrative procedure.)

Intergovernmental revenue. Revenue derived from payments to the municipality by other public governments, (K.S.A., Chapters 12, 68, and 79; administrative agreements.)

Licenses. Revenue derived from the issuance of a legal permission by the City of Wichita, which authorizes a person to operate a business or occupation in the municipality. The regulation is based on the police power of protecting the public safety, health, and general welfare. (Code of the City of Wichita, Titles 3-4, 7, 10, 16, 18-19, 21-22, 24-26 and Chapters 3.02 and 3.04.)

Local sales tax. A one percent (1%) tax approved by the voters in July 1985, levied on gross retail sales in Sedgwick County in addition to the four and nine-tenths percent (4.9%) tax levied by the state of Kansas. (K.S.A., Ch. 12, Art. 1.)

Motor vehicle tax. A tax collected by Sedgwick County on all motor vehicles that are not subject to property or ad valorem taxes, such as passenger cars, pick-up trucks, and motorcycles. (K.S.A., Ch. 79, Art. 51.)

Payment in lieu of taxes. Revenue derived from the issuance of a legal permission by the City of Wichita authorizing certain work to be performed on a particular project.

Rental income. Revenue derived from the rental of City facilities such as City Hall Cafeteria and Parking Garage, Century II Concert Hall, Lawrence-Dumont Stadium, Expo Hall, and Building Services.

Special assessments. Charges which the local government makes to pay for a specific service or project such as streets, sewers, curbs, and gutters, which benefit a particular piece of real estate. These charges are assessed on the basis of the square footage of the lot, against the value of the lot, or on the basis of both lot square footage and value.

Transient guest tax. A five percent (5%) tax upon the gross receipts paid by guests in any hotel, motel, or tourist courts located in the incorporated territory of the City of Wichita.

User fees. Revenue derived from payments made by the general public for the purpose of utilizing goods and services, such as entry fees, Park Department charges, class registrations, tenant rental, and concessions.